OFFICE OF THE
KANSAS SECURITIES COMMISSIONER (KSC)

The **I**NVEST **K**ANSAS **E**XEMPTION - "IKE"

The Invest Kansas Exemption is provided by K.A.R. 81-5-21 which became effective on August 12, 2011 in order to remove some of the regulatory hurdles for small businesses based in Kansas. The exemption is unique and innovative in comparison with other exemptions under the Kansas Uniform Securities Act and similar laws in other states.

The most significant provisions of the exemption are as follows:

- The issuer of securities must be a business entity or organization that is organized in Kansas by registration with the Kansas Secretary of State, and must be located in Kansas with at least 80% of its assets and operations within Kansas.

- All investors in securities of the issuer must be Kansas residents and all offers and sales transactions must occur within Kansas, and any resales during the offering and for a period of 9 months after the offering is completed must be limited to Kansas residents.

  Note: The first two conditions above are required for compliance with Rule 147 under the federal Securities Act of 1933 for intrastate offerings in order to be exempt from registration with the U.S. Securities and Exchange Commission (SEC). There are other important requirements under Rule 147 that should be reviewed carefully and thoroughly. A copy of Rule 147 is attached for further review. The rule may also be reviewed on the website of the SEC at http://www.sec.gov/divisions/corpfin/forms/smallbus.shtml .

- Up to $1,000,000 of new capital can be raised, less the total amount from securities sold within the previous 12 months in order to claim the exemption for the current offering. Larger offerings would need to be registered or comply with some other exemption. Sales to controlling persons are not counted for the $1 million limit.

- The investment for each Kansas resident is limited to $5,000 in equity or debt securities unless they qualify as an Accredited Investor as defined by Rule 501 of federal Regulation D [an individual with net worth of at least $1,000,000 or annual income of $200,000 ($300,000 if joint income with spouse) and any officer, director, general partner or managing member of the issuer].

- All funds from Kansas investors must be deposited in a bank or depository institution authorized to do business in Kansas, and all funds must be used for the purposes disclosed to investors in offering documents.

- Form IKE must be filed with the KSC office in Topeka before any advertising or general solicitation of investors occurs, or before the 25th sale, whichever occurs first. The Form IKE is a simple one-page form which requires information about the business and persons involved in the offering. No fee is required with the filing.

- The offering document must disclose that the securities have not been registered and the fact that investors would need to comply with an exemption for resales.

- Issuers without a specific plan of business or involving persons with criminal or disciplinary history specified in regulations are disqualified from using this exemption.